

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name New Buffalo Township	County Berrien
Audit Date 6/30/05	Opinion Date 12/17/05	Date Accountant Report Submitted to State: 12/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) McMurray, Marks & Edmunds			
Street Address 805 Van Brunt Ave.	City St. Joseph	State MI	ZIP 49085
Accountant Signature 		Date 12/28/05	

NEW BUFFALO TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

June 30, 2005

NEW BUFFALO TOWNSHIP
New Buffalo, Michigan
June 30, 2005

TOWNSHIP BOARD

Agnes Conway

Rolland Oselka

Jack Rogers

Peter Rahm

Quincy White

Supervisor

Clerk

Treasurer

Trustee

Trustee

NEW BUFFALO TOWNSHIP
New Buffalo, Michigan
June 30, 2005

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
New Buffalo Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of New Buffalo Township (the "Township"), as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of New Buffalo Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of New Buffalo Township as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 4 through 10 and pages 36 to 37 are not a required part of the basic financial statements but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New Buffalo Township basic financial statement. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Both the other supplemental information and the schedule of expenditure of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, reading 'McMurray, Marks & Edmunds'. The signature is written in a cursive, flowing style.

McMurray, Marks & Edmunds
December 17, 2005

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of the
New Buffalo Township

We have audited the financial statements of New Buffalo Township as of and for the year ended June 30, 2005, and have issued our report thereon dated December 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether New Buffalo Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We also noted certain immaterial instances of noncompliance that we have reported to management of New Buffalo Township in a separate letter dated December 17, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Buffalo Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect New Buffalo Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items: 05.1--segregation of duties.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted that other matters involving the internal control over financial reporting that we have reported to management of New Buffalo Township in a separate letter dated December 17, 2005.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "McMurray, Marks & Edmunds".

McMurray, Marks & Edmunds
December 17, 2005

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
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Raymond Marks, CPA
Jeff Edmunds, CPA



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees of the
New Buffalo Township

Compliance

We have audited the compliance of New Buffalo Township with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. New Buffalo Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of New Buffalo Township's management. Our responsibility is to express an opinion on New Buffalo Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Buffalo Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on New Buffalo Township's compliance with those requirements.

In our opinion, New Buffalo Township complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of New Buffalo Township is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered New Buffalo Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



McMurray, Marks & Edmunds
December 17, 2005

David Schaffer, CPA
Michael Layher, CPA
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Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as whole and present longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's combined net assets increased 11.9% from a year ago—increasing from \$8,400,526 to \$9,396,638. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$134,372 during the year, while the business-type activities experienced and increase in net assets of \$861,740.

Overview of the Financial Statements

This report consists of four parts---*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basis financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, Concluded

Major Features of New Buffalo Township's Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary, such as ambulance, building, and liquor.	Activities the Township operates similar to private businesses: the water and sewer system.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets > Statement of activities.	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances.	> Statement of net assets > Statement of revenues, expenditures, and changes in fund balances. > Statement of cash flows	> Statement of fiduciary net assets > Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities, which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

Government-wide Statements, Concluded

The government-wide financial statements of the Township are divided into three categories:

- Governmental activities—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- Business-type activities—The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system are included here.
- Component units—The Township includes one other entity in its report—the New Buffalo Township Library. Although legally separate, the “component unit” is important because the Township is financially accountable for them.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. building or liquor sales tax monies) or to show that it is properly using certain taxes and grants (i.e. ambulance monies).

The Township has the following three kinds of funds:

- *Governments Funds*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary Funds*—Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *Fiduciary Funds*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis Of The Township As A Whole

The Township's combined net assets were \$9,396,638. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities	Business-Type Activities	Total June 30, 2005	June 30, 2004
Current Assets	\$ 776,272	\$ 7,999,462	\$ 8,775,734	\$ 7,771,823
Capital Assets	435,099	5,806,735	6,241,834	5,628,376
Total Assets	\$ 1,211,371	\$ 13,806,197	\$ 15,017,568	\$13,400,199
Long-term debt outstanding	\$ 5,000	\$ 5,417,073	\$ 5,422,073	\$ 4,865,235
Other liabilities	108,502	90,355	198,857	134,438
Total Liabilities	\$ 113,502	\$ 5,507,428	\$ 5,620,930	\$ 4,999,673
Net Assets				
Invested in capital assets, net of related debt	\$ 430,099	\$ 3,586,830	\$ 4,016,929	\$ 3,870,903
Unrestricted	667,770	4,711,939	5,379,709	4,529,623
Total Net Assets	\$ 1,097,869	\$ 8,298,769	\$ 9,396,638	\$ 8,400,526

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$134,372 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$667,770 or about 78% of expenditures. This is within the targeted range set by the Township Board during its last budget process.

The following table shows the changes of the net assets as of the current date.

	Governmental Activities	Business-Type Activities	June 30, 2005	Total June 30, 2004
Program Revenues				
Charges for services	\$ 422,018	\$ 791,011	\$ 1,213,029	\$ 1,048,257
Operating Grants and Contributions	-	-	-	-
General Revenues				
Property Taxes	307,728	-	307,728	276,603
State Shared Revenues	136,460	-	136,460	137,558
Grant Income	-	250,970	250,970	-
Tap Fees - Infrastructure	-	437,589	437,589	-
Interest and Rentals	100,536	36,181	136,717	91,238
Miscellaneous	21,408	10,774	32,182	25,379
Special Items	-	17,406	17,406	(20,034)
Total Revenues	<u>\$ 988,150</u>	<u>\$ 1,543,931</u>	<u>\$ 2,532,081</u>	<u>\$ 1,559,001</u>
Program Expenses				
General Government	\$ 588,252	\$ -	\$ 588,252	\$ 536,242
Public Safety	204,880	-	204,880	223,066
Public Works	58,998	-	58,998	14,958
Recreation and Culture	1,401	-	1,401	4,780
Interest on Long-Term Debt	247	-	247	348
Water	-	223,298	223,298	233,694
Sewer	-	458,893	458,893	400,317
Total Expenses	<u>\$ 853,778</u>	<u>\$ 682,191</u>	<u>\$ 1,535,969</u>	<u>\$ 1,413,405</u>
Change in Net Assets	<u>\$ 134,372</u>	<u>\$ 861,740</u>	<u>\$ 996,112</u>	<u>\$ 145,596</u>

The Township's net assets continue to remain healthy. As a result, net assets grew by \$996,112. The primary reason for this increase was grants received from the United States Department of Agriculture for watermain improvements on Krueger/Glassman and Wilson Roads and related tap-in fees charged to customers.

Governmental Activities

The Township's total governmental revenues increased by \$146,073 while expenses increased by \$74,384 during the year. The revenue increase was the result of increased building permit fees and property tax revenue.

Business-Type Activities

The Township's business-type activities consist of the Water and Sewer Fund. We provide water to the Township residents from the New Buffalo Township's water system and sewage treatment through the GRSD Sewer Authority sewage treatment plant. In 2005, operating revenues increased by \$70,859 due to an increase in tap-in fees, with expenses increasing by \$18,861 largely due to increased interest expense. Much of the operating and non-operating revenue increase was used in related construction of watermains on Krueger/Glassman and Wilson Roads.

The Township's Funds

Our analysis of the Township's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major funds for 2005 included the General Fund, Ambulance Fund and the Building Fund.

The General Fund pays for most of the Township's governmental services, including legislative, fire, cemetery, and other. The most significant is legislative and fire, which incurred expenses of approximately \$115,497 and \$98,205, respectively, in 2005. The service is supported by general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year.

Capital Asset and Debt Administration

At the end of June 30, 2005, the Township had investment in capital assets for its governmental and business-type activities of \$6,241,834 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them. The Township chose not to retroactively report any other infrastructure assets, and will only report any additions prospectively in accordance with G.A.S.B. #34.

Long-Term Debt

At the end of the current fiscal year, the Township had total debt outstanding of \$5,422,073 (net of unamortized discounts). The Township's total debt increased due to the issuance of \$764,000 in bonds for the watermain construction on Krueger/Glassman and Wilson Roads.

Economic Factors and Next Year's Budgets and Rates

The Township's anticipates revenue over expenditures in the governmental and business-type activity funds.

We also anticipate that the sewer rates will have to increase somewhat in fiscal 2006 due to increased capacity at the GRSD Sewer Authority and the associated construction costs. We are in the process of evaluating the amount of increase that will be needed and will likely have a public hearing in 2006 to discuss the need for such an increase.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

The financial report of the discretely presented component unit, New Buffalo Township Library, can be obtained directly from the management of the Library.

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
Assets				
Cash and Cash Equivalents	\$ 685,563	\$ 1,187,595	\$ 1,873,158	\$ 440,720
Restricted Cash	-	115,574	115,574	-
Total Cash & Equivalents	\$ 685,563	\$ 1,303,169	\$ 1,988,732	\$ 440,720
Certificates of deposit > 90 days	19,639	594,850	614,489	-
Taxes Receivable	761	-	761	-
Special Assessment Receivable, net	-	2,222,329	2,222,329	-
Trade Receivables, net	3,224	5,460	8,684	-
Internal Balances	8,907	64,356	73,263	-
Due From Other Governments	20,780	4,419	25,199	-
Prepaid Expenses	37,398	-	37,398	-
Equity Investment	-	3,804,879	3,804,879	-
Capital Assets, Net	435,099	5,806,735	6,241,834	304,895
Total Assets	<u>\$ 1,211,371</u>	<u>\$ 13,806,197</u>	<u>\$ 15,017,568</u>	<u>\$ 745,615</u>
Liabilities				
Accounts Payable	\$ 68,618	\$ 22,480	\$ 91,098	\$ -
Accrued and Other Liabilities	1,812	40,630	42,442	-
Internal Balances	38,072	27,245	65,317	-
Noncurrent Liabilities				
Due Within One Year	2,500	220,662	223,162	-
Due in More Than One Year	2,500	5,196,411	5,198,911	-
Total Liabilities	<u>\$ 113,502</u>	<u>\$ 5,507,428</u>	<u>\$ 5,620,930</u>	<u>\$ -</u>
Net Assets				
Invested in Capital Assets Net of Related Debt	\$ 430,099	\$ 3,586,830	\$ 4,016,929	\$ 304,895
Unrestricted	667,770	4,711,939	5,379,709	440,720
Total Net Assets	<u>\$ 1,097,869</u>	<u>\$ 8,298,769</u>	<u>\$ 9,396,638</u>	<u>\$ 745,615</u>

The notes to the financial statements are an integral part of these statements.

NEW BUFFALO TOWNSHIP
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
June 30, 2005**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-Type Activities		
Primary Government							
<i>Governmental Activities</i>							
General Government	\$ 588,252	422,018	\$ -	\$ (166,234)		\$ (166,234)	
Public Safety	204,880	-	-	(204,880)		(204,880)	
Public Works	58,998	-	-	(58,998)		(58,998)	
Recreation and Culture	1,401	-	-	(1,401)		(1,401)	
Interest on Long-Term Debt	247	-	-	(247)		(247)	
Total Governmental Activities	<u>\$ 853,778</u>	<u>\$ 422,018</u>	<u>\$ -</u>	<u>\$ (431,760)</u>		<u>\$ (431,760)</u>	
<i>Business-Type Activities</i>							
Water	\$ 223,298	\$ 283,413	\$ -		\$ 60,115	\$ 60,115	
Sewer	458,893	507,598	-		48,705	48,705	
Total Business-Type Activities	<u>\$ 682,191</u>	<u>\$ 791,011</u>	<u>\$ -</u>		<u>\$ 108,820</u>	<u>\$ 108,820</u>	
Total Primary Government	<u>\$ 1,535,969</u>	<u>\$ 1,213,029</u>	<u>\$ -</u>	<u>\$ (431,760)</u>	<u>\$ 108,820</u>	<u>\$ (322,940)</u>	
Component Units							
New Buffalo Township Library	<u>\$ 252,336</u>	<u>\$ 72,681</u>	<u>\$ -</u>				<u>\$ (179,655)</u>
General Revenues							
Property Taxes				\$ 307,728	\$ -	\$ 307,728	\$ 173,253
Grant Income				-	250,970	250,970	-
Tap Fees - Infrastructure				-	437,589	437,589	-
State Shared Revenues				136,460	-	136,460	5,678
Interest and Rentals				100,536	36,181	136,717	6,993
Miscellaneous				21,408	10,774	32,182	11,577
Special items- Income from Joint Venture				-	17,406	17,406	-
Total General Revenues and special items				<u>\$ 566,132</u>	<u>\$ 752,920</u>	<u>\$ 1,319,052</u>	<u>\$ 197,501</u>
Change in net assets				<u>\$ 134,372</u>	<u>\$ 861,740</u>	<u>\$ 996,112</u>	<u>\$ 17,846</u>
Net Assets-Beginning				963,497	7,437,029	8,400,526	727,769
Net Assets-Ending				<u>\$ 1,097,869</u>	<u>\$ 8,298,769</u>	<u>\$ 9,396,638</u>	<u>\$ 745,615</u>

The notes to the financial statements are an integral part of these statements.

NEW BUFFALO TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2005

	General <u>Fund</u>	Ambulance <u>Fund</u>	Building <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets					
Cash and cash equivalents	\$ 444,257	\$ 94,837	\$ 138,281	\$ 8,188	\$ 685,563
Certificate of deposits > 90 days	19,639	-	-	-	19,639
Taxes receivable	486	250	25	-	761
Special assessment receivable, net	-	-	-	-	-
Trade receivables, net	3,224	-	-	-	3,224
Due from other governmental units	20,780	-	-	-	20,780
Due from other governmental funds	2,074	-	-	-	2,074
Due from fiduciary funds	7,946	-	-	-	7,946
Due from proprietary funds	961	-	-	-	961
Prepaid expenses	37,398	-	-	-	37,398
Total Assets	<u>\$ 536,765</u>	<u>\$ 95,087</u>	<u>138,306</u>	<u>\$ 8,188</u>	<u>\$ 778,346</u>
Liabilities and Fund Equity					
Liabilities					
Accounts payable	\$ 68,550	\$ 68	\$ -	\$ -	\$ 68,618
Other current liabilities	1,812	-	-	-	1,812
Deferred revenue	486	-	-	-	486
Due to other governmental funds	-	-	1,974	100	2,074
Due to proprietary funds	38,072	-	-	-	38,072
Total Liabilities	<u>\$ 108,920</u>	<u>\$ 68</u>	<u>\$ 1,974</u>	<u>\$ 100</u>	<u>\$ 111,062</u>
Fund Balance					
Reserved					
Prepaid expenses	\$ 37,398	\$ -	\$ -	\$ -	\$ 37,398
Unreserved:					
Designated	143,386	-	-	-	143,386
Undesignated	247,061	95,019	136,332	8,088	486,500
Total Fund Equity	<u>\$ 427,845</u>	<u>\$ 95,019</u>	<u>\$ 136,332</u>	<u>\$ 8,088</u>	<u>\$ 667,284</u>
Total Liabilities and Fund Equity	<u>\$ 536,765</u>	<u>\$ 95,087</u>	<u>\$ 138,306</u>	<u>\$ 8,188</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

- * Capital assets used in governmental activities are not financial resources and are not reported in the funds 435,099
- * Deferred revenues reported in the governmental funds are recognized as revenues for governmental funds 486
- * Long-term liabilities are not due and payable in the current period and are not reported in the funds. (5,000)

Net Assets of Governmental Activities \$ 1,097,869

The notes to the financial statements are an integral part of these statements.

NEW BUFFALO TOWNSHIP

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
June 30, 2005**

	General Fund	Ambulance Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 179,147	\$ 129,989	\$ -	\$ -	\$ 309,136
Service and tax administrator fees	129,020	-	-	-	129,020
Licenses and Permits	2,142	-	-	-	2,142
State Grants	136,460	-	-	-	136,460
Charges for Services	22,954	-	270,044	-	292,998
Fines and Forfeits	3,722	-	150	-	3,872
Interest and Rentals	97,630	804	2,102	-	100,536
Other Revenues	10,500	-	10	4,884	15,394
Total Revenues	<u>\$ 581,575</u>	<u>\$ 130,793</u>	<u>\$ 272,306</u>	<u>\$ 4,884</u>	<u>\$ 989,558</u>
Expenditures					
Current					
General Government	\$ 393,202	\$ -	\$ 130,506	\$ 4,521	\$ 528,229
Public Safety	98,205	106,675	-	-	204,880
Public Works	58,998	-	-	-	58,998
Recreation and Culture	1,401	-	-	-	1,401
Debt Service	2,747	-	-	-	2,747
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>\$ 554,553</u>	<u>\$ 106,675</u>	<u>\$ 130,506</u>	<u>\$ 4,521</u>	<u>\$ 796,255</u>
Excess of Revenues Over Expenditures	<u>\$ 27,022</u>	<u>\$ 24,118</u>	<u>\$ 141,800</u>	<u>\$ 363</u>	<u>\$ 193,303</u>
Other Financing Sources(Uses)					
Operating Transfers In	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Operating Transfers Out	-	-	(50,000)	-	(50,000)
Total Other Financing Sources(Uses)	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenue and Other Sources Over Expenditures and Other Uses	<u>\$ 77,022</u>	<u>\$ 24,118</u>	<u>\$ 91,800</u>	<u>\$ 363</u>	<u>\$ 193,303</u>
Fund Balance-July 1, 2004	<u>350,823</u>	<u>70,901</u>	<u>44,532</u>	<u>7,725</u>	
Fund Balance-June 30, 2005	<u>\$ 427,845</u>	<u>\$ 95,019</u>	<u>\$ 136,332</u>	<u>\$ 8,088</u>	

Amounts reported for governmental activities in the statement of activities are different because:

* Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	(60,023)
* Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,500
* Revenues recorded in the statement of activities when they provide current financial resources are not reported in the funds	(1,408)
Change in Net Assets of Governmental Activities	<u>\$ 134,372</u>

The notes to the financial statements are an integral part of these statements.

PROPRIETARY FUND STATEMENT OF NET ASSETS
June 30, 2005

	Water <u>Fund</u>	Sewer <u>Fund</u>	Total Proprietary <u>Funds</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 432,220	\$ 755,375	\$ 1,187,595
Restricted Cash	115,574	-	115,574
Total Cash and Equivalents	\$ 547,794	\$ 755,375	\$ 1,303,169
Certificates of Deposit > 90 days	257,032	337,818	594,850
Special assessment receivables, net	1,536,502	685,827	2,222,329
Trade receivables, net	2,422	3,038	5,460
Due from other governmental funds	38,072	-	38,072
Due from other proprietary funds	-	26,284	26,284
Due from other governments	4,419	-	4,419
Total Current Assets	<u>\$ 2,386,241</u>	<u>\$ 1,808,342</u>	<u>\$ 4,194,583</u>
Noncurrent Assets			
Equity Investment	\$ -	\$ 3,804,879	\$ 3,804,879
Capital Assets	3,551,067	2,255,668	5,806,735
Total Noncurrent Assets	<u>\$ 3,551,067</u>	<u>\$ 6,060,547</u>	<u>\$ 9,611,614</u>
Total Assets	<u>\$ 5,937,308</u>	<u>\$ 7,868,889</u>	<u>\$ 13,806,197</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 6,131	\$ 16,349	\$ 22,480
Accrued Interest	25,625	15,005	40,630
Due to other governmental funds	-	961	961
Due to other proprietary funds	26,284	-	26,284
Current portion of noncurrent liabilities	193,187	27,475	220,662
Total Current Liabilities	<u>\$ 251,227</u>	<u>\$ 59,790</u>	<u>\$ 311,017</u>
Noncurrent Liabilities			
Bonds payable	1,760,999	3,435,412	5,196,411
Total Liabilities	<u>\$ 2,012,226</u>	<u>\$ 3,495,202</u>	<u>\$ 5,507,428</u>
Net Assets			
Invested in Capital Assets-Net of related debt	\$ 1,596,881	\$ 1,989,949	\$ 3,586,830
Unrestricted	2,328,201	2,383,738	4,711,939
Total Net Assets	<u><u>\$ 3,925,082</u></u>	<u><u>\$ 4,373,687</u></u>	<u><u>\$ 8,298,769</u></u>

The notes to the financial statements are an integral part of these statements.

NEW BUFFALO TOWNSHIP**PROPRIETARY FUND STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS****June 30, 2005**

	Water <u>Fund</u>	Sewer <u>Fund</u>	Total Proprietary <u>Funds</u>
Operating Revenues			
Water Sales	\$ 21,091	\$ -	\$ 21,091
Sewage Disposal Services	-	319,797	319,797
Penalties and Interest Charges	84,958	55,550	140,508
Installation and Other Miscellaneous Charges	177,364	132,251	309,615
Total Operating Revenues	<u>\$ 283,413</u>	<u>\$ 507,598</u>	<u>\$ 791,011</u>
Operating Expenses			
Personal Services	\$ -	\$ 4,948	\$ 4,948
Contractual Services	20,000	147,187	167,187
Repairs and Maintenance	11,845	30,413	42,258
Other Supplies and Expenses	11,532	5,596	17,128
Depreciation	112,772	127,703	240,475
Total Operating Expenses	<u>\$ 156,149</u>	<u>\$ 315,847</u>	<u>\$ 471,996</u>
Operating Income	<u>\$ 127,264</u>	<u>\$ 191,751</u>	<u>\$ 319,015</u>
Nonoperating Revenues(Expenses)			
Grant Income - Federal	\$ 250,970	\$ -	\$ 250,970
Tap Fees - Infrastructure	437,589	-	437,589
Interest and Investment Revenue	17,044	19,137	36,181
Gain (Loss) from Joint Venture	-	17,406	17,406
Interest Expense	(67,149)	(142,480)	(209,629)
Miscellaneous	10,774	(566)	10,208
Total Nonoperating Revenues(Expenses)	<u>\$ 649,228</u>	<u>\$ (106,503)</u>	<u>\$ 542,725</u>
Income Before Contributions and Transfers In(Out)	<u>\$ 776,492</u>	<u>\$ 85,248</u>	<u>\$ 861,740</u>
Capital Contributions	-	-	-
Transfers In(Out)	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>\$ 776,492</u>	<u>\$ 85,248</u>	<u>\$ 861,740</u>
Total Net Assets-Beginning	<u>3,148,590</u>	<u>4,288,439</u>	<u>7,437,029</u>
Total Nets Assets-Ending	<u><u>\$ 3,925,082</u></u>	<u><u>\$ 4,373,687</u></u>	<u><u>\$ 8,298,769</u></u>

The notes to the financial statements are an integral part of these statements.

PROPRIETARY FUND STATEMENT OF CASH FLOWS

June 30, 2005

 Proprietary
Funds
Cash Flows From Operating Activities

Receipts from Customers	\$ 793,575
Payments to Suppliers	(214,424)
Payments to Employees	(4,948)
Internal Activity-Payments to Other Funds	-
Other Receipts(Payments)	-
Net Cash Provided(Used) by Operating Activities	<u>\$ 574,203</u>

Cash Flows From Noncapital Financing Activities

Nonoperating grants received	<u>\$ 250,970</u>
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Cash Flows From Capital and Related Financing Activities

Proceeds from Capital Debt	\$ 764,000
Purchases of Capital Assets	(913,956)
Principal paid on Capital Debt	(204,662)
Interest paid on Capital Debt	(209,629)
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>\$ (564,247)</u>

Cash Flow From Investing Activities

Interest and Dividends	\$ 36,181
Other Receipts(Payments)	47,001
Net Cash Provided(Used) by Investing Activities	<u>\$ 83,182</u>

Net Increase in Cash and Cash Equivalents	\$ 344,108
Cash and Cash Equivalents-Beginning	<u>959,061</u>

Cash and Cash Equivalents-Ending	<u><u>\$ 1,303,169</u></u>
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Reconciliation of Operating Income(Loss) to Net Cash Provided(Used) by Operating Activities

Operating Income(Loss)	\$ 319,015
Adjustment to Reconcile Operating Income to Net Cash Provided(Used) by Operating Activities	
Depreciation Expense	240,475
(Gain)/Loss from Joint Venture	-
Change in Assets and Liabilities	
Trade receivables, net	2,748
Due from other governmental funds	-
Due from other governments	(184)
Interest receivable	-
Accounts Payable	12,149
Accrued Interest	-
Net Cash Provided(Used) by Operating Activities	<u><u>\$ 574,203</u></u>

Non-cash disclosure of Capital and Related Financing and Investing Activities

Acquisition of capital assets with debt proceeds	<u><u>\$ 648,426</u></u>
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The notes to the financial statements are an integral part of these statements.

NEW BUFFALO TOWNSHIP**FIDUCIARY FUNDS-STATEMENT OF NET ASSETS
June 30, 2005**

	Agency Funds		
	Property Tax	Trust & Agency	Total
	<u>Collection Fund</u>	<u>Fund</u>	<u>Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 7,679	\$ 16,006	\$ 23,685
Due from other governmental funds	-	-	-
Total Assets	<u>\$ 7,679</u>	<u>\$ 16,006</u>	<u>\$ 23,685</u>
Liabilities			
Due to other governmental funds:			
General Fund	\$ 7,679	\$ 267	\$ 7,946
Special Revenue Funds	-	-	-
Due to other governmental units	-	1,660	1,660
Other Accruals	-	14,079	14,079
Total Liabilities	<u>\$ 7,679</u>	<u>\$ 16,006</u>	<u>\$ 23,685</u>

The notes to the financial statements are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the New Buffalo Township (the “Township”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under GASB #39 for which organizations is to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

Blended Component Units—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at June 30, 2005.

Discretely Presented Component Units—The following component units are reported within the “component units” column in the government-wide financial statements. The discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit’s financial statements to be misleading or incomplete.

New Buffalo Township Library (the “Library”)—The Library, which was established under P.A. 164 of 1877 as amended, is governed by a five member board selected by public ballot. Monies received are deposited in the local unit treasury to the credit of the Library Fund. A millage is assessed and collected in the same manner as other township taxes. Complete financial statements as of December 31, 2004, may be obtained directly from the Library at the following address:

New Buffalo Township Library
33 North Thompson
New Buffalo, MI 49117

Jointly Governed Organization—The Township has the following joint ventures:

Cemetery Board—The Township, in conjunction with the City of New Buffalo (the “City”), has entered into an agreement which created a joint Cemetery Board (the “Board”) for the operation, care, and control of certain lands jointly used for the Pine Grove Cemetery.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED
A. REPORTING ENTITY

Cemetery Board (concluded)-The Board is comprised of five (5) members; two (2) appointed by the City's Council and two (2) by the Township's Board and the last member, the Chairperson, appointed by the other four (4) members from the elector-at-large. The Township provides, by appropriation, 50% of the total amount requested by the Board for operating the Pine Grove Cemetery. The Township's contribution for 2005 was \$24,000. The budget is submitted annually by the Board and approved by the City and Township.

In accordance with Statement on Michigan Governmental Accounting and Auditing No. 5, the financial statements of the Cemetery Board are not included within the body of the financial statements of the Township. Financial statements are available from the Board, with the following audited summary financial information on the Board as of June 30, 2003 (June 30, 2005 and 2004 was unavailable).

Total Assets	\$ 6,331
Total Liabilities	452
Total Net Assets	5,879
Total Revenues	48,443
Total Expenditures	58,638
Decrease in Net Assets	(10,195)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-Wide and Fund Financial Statements, concluded**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Property Taxes--The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15 of the succeeding year. The Township's 2004 ad valorem tax is levied and collectible on December 1, 2004 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, concluded.**

The 2004 taxable valuation of the Township totaled \$346.7 million, on which ad valorem taxes levied which consisted of .461 mills for the Township's operating purposes and .3760 mills for ambulance services. These amounts are recognized in the respective General and Special Revenue Funds financial statements as taxes receivable—current or as tax revenue.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Ambulance Fund accounts for taxes levied and related expenditures used for ambulance service in the Township.

The Building Fund accounts for revenues generated (i.e. building, electrical and mechanical permit fees) and related expenses related to the inspection and monitoring of building activity in the Township.

The Township reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**D. Assets, Liabilities, and Net Assets or Equity**

Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, both the Krueger/Glassman and Wilson Road water extensions were under construction and related interest expense of \$18,500 was capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—It is the Township's policy to permit employees to accumulate earned but not unused sick and vacation pay benefits. There is no liability for unpaid accumulated vacation and sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED
D. Assets, Liabilities, and Net Assets or Equity

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing July 1st and public hearing are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund, function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by July 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There was one amendment during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General Government-Legislative	\$ 107,050	\$ 115,497	\$ (8,447)
General Government-Planning Commission	6,150	6,372	(222)
Public Works	45,700	58,998	(13,298)
Debt Service	-	247	(247)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

Fund Deficits—The Township has no accumulated fund balance/retained earning deficits in their reported funds.

NOTE 3. DEPOSITS AND INVESTMENTS

At June 30, 2005, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Total Primary <u>Government</u>	Fiduciary <u>Funds</u>	Component <u>Units</u>
Cash and Cash Equivalents	\$ 685,563	\$ 1,303,169	\$ 1,988,732	\$ 23,685	\$ 440,720
Certificate of deposits > 90 days	19,639	594,850	614,489	-	-
Total	<u>\$ 705,202</u>	<u>\$ 1,898,019</u>	<u>\$ 2,603,221</u>	<u>\$ 23,685</u>	<u>\$ 440,720</u>

The breakdown between deposits and investments is as follows:

	Primary <u>Government</u>	Fiduciary <u>Funds</u>	Component <u>Units</u>
Bank Deposits (checking and savings accounts, C/D's)	\$ 1,988,132	\$ 23,585	\$ 440,720
Certificate of Deposits > 90 days	614,489	-	-
Petty Cash and Cash on Hand	600	100	-
	<u>\$ 2,603,221</u>	<u>\$ 23,685</u>	<u>\$ 440,720</u>

Bank Deposits:

All cash of the Township is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2005, \$2,435,470 of the Township's bank balance of \$2,716,294 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. With regard to New Buffalo Township Library, a component unit of the Township, \$75,214 of the Library's bank balance of \$365,256 was exposed to custodial credit risk because it was uninsured.

Investments:

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds. The Township has put further restrictions on those investments through its current policy, and the following investment is permitted by law and policy.

Interest rate risk. In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the Township had no investment.

Concentration of Credit Risk. The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2005 the Township had no investment.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of June 30, 2005 the Township had no investment.

Foreign Currency Risk. The Township is not authorized to invest in investments which have this type of risk.

NOTE 4. RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer	Other-Major Funds	Total
Taxes Receivable	\$ 486	\$ -	\$ 275	\$ 761
Accounts	3,224	5,460	-	8,684
Special Assessments	-	2,222,329	-	2,222,329
Intergovernmental	20,780	-	-	20,780
Less: Allowance for Uncollectible	-	-	-	-
Net Receivables	<u>\$ 24,490</u>	<u>\$ 2,227,789</u>	<u>\$ 275</u>	<u>\$ 2,252,554</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	<u>\$ 44,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,674</u>
Capital assets being depreciated				
Land improvements	\$ 96,469	\$ -	\$ -	\$ 96,469
Building improvements	253,031	-	-	253,031
Equipment	624,761	-	-	624,761
Subtotal	<u>\$ 974,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 974,261</u>
Less: Accumulated Depreciation	<u>(523,813)</u>	<u>(60,023)</u>	<u>-</u>	<u>(583,836)</u>
Net Capital Assets Being Depreciated	<u>\$ 450,448</u>	<u>\$ (60,023)</u>	<u>\$ -</u>	<u>\$ 390,425</u>
Governmental activities capital total				
capital assets-net of depreciation	<u>\$ 495,122</u>	<u>\$ (60,023)</u>	<u>\$ -</u>	<u>\$ 435,099</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities;	
General Governments	\$60,023

NOTE 5. CAPITAL ASSETS, CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Business-Type Activities</i>				
Capital assets not being depreciated				
Land	\$ 4,354	\$ -	\$ -	\$ 4,354
Construction in progress	13,207	913,956	-	927,163
	<u>\$ 17,561</u>	<u>\$ 913,956</u>	<u>\$ -</u>	<u>\$ 931,517</u>
Capital assets being depreciated				
Infrastructure	\$8,273,362	\$ -	\$ -	\$8,273,362
Equipment	24,602	-	-	24,602
Subtotal	<u>\$8,297,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,297,964</u>
Less: Accumulated Depreciation	<u>(3,182,271)</u>	<u>(240,475)</u>	<u>-</u>	<u>(3,422,746)</u>
Net capital assets being depreciated	<u>\$5,115,693</u>	<u>\$ (240,475)</u>	<u>\$ -</u>	<u>\$4,875,218</u>
Business-Type Activities capital total				
capital assets-net of depreciation	<u><u>\$5,133,254</u></u>	<u><u>\$ 673,481</u></u>	<u><u>\$ -</u></u>	<u><u>\$5,806,735</u></u>
Depreciation was charged to programs for the business-type activities as follows:				
Water	\$ 112,772			
Sewer	127,703			
	<u><u>\$ 240,475</u></u>			

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Component Unit Activities</i>				
Capital assets not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated				
Buildings and improvements	\$ 208,814	\$ -	\$ -	\$ 208,814
Furniture and fixtures	164,833	15,717	(9,561)	170,989
Office and library equipment	364,569	31,950	-	396,519
Subtotal	<u>\$ 738,216</u>	<u>\$ 47,667</u>	<u>\$ (9,561)</u>	<u>\$ 776,322</u>
Less: Accumulated Depreciation	<u>(431,061)</u>	<u>(45,894)</u>	<u>528</u>	<u>(476,427)</u>
Net capital assets being depreciated	<u>\$ 307,155</u>	<u>\$ 1,773</u>	<u>\$ (9,033)</u>	<u>\$ 299,895</u>
Component Unit Activities capital total				
capital assets-net of depreciation	<u><u>\$ 312,155</u></u>	<u><u>\$ 1,773</u></u>	<u><u>\$ (9,033)</u></u>	<u><u>\$ 304,895</u></u>

Construction Commitments—The government has two watermain extension projects on Kruger/Glassman and Wilson Roads active at June 30, 2005.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds		
General	Building	\$ 1,974
	Liquor	100
	Property Tax Collection	7,679
	Trust & Agency	267
	Sewer	961
Water	General	38,072
Sewer	Water	26,284
Total		<u><u>\$ 75,337</u></u>

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Building Fund	\$ 50,000

NOTE 7. DESIGNATED NET ASSETS

The Township had the following designated net assets:

Governmental Activities:

Fire Reserve	\$ 123,747
Park I-Water	5,825
Park II-Equipment	1,803
Park III-Land	12,011
	<u><u>\$ 143,386</u></u>

NOTE 8. LONG TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
Note Payable						
2003 Skate Park-Recreation & Culture	3.30%	11/1/2006	<u>\$ 7,500</u>	<u>\$ (2,500)</u>	<u>\$ 5,000</u>	<u>\$ 2,500</u>
Business-Type Activities						
<i>Revenue Bonds</i>						
1998 Series A Special Assessment Bond	4.25 to 5.80%	3/1/2018	121,600	(9,600)	112,000	9,600
1998 Series B Special Assessment Bond	4.25 to 5.00%	3/1/2019	105,800	(9,200)	96,600	9,200
1999 Special Assessment Bond	4.29 to 5.50%	3/1/2013	555,000	(100,000)	455,000	100,000
2000 Special Assessment Bond	4.75 to 5.40%	3/1/2015	600,000	(60,000)	540,000	60,000
2004 Special Assessment Bond, Series A-Federal loan	4.25%	9/1/2044	-	404,000	404,000	500
2004 Special Assessment Bond, Series B-Federal loan	4.75%	9/1/2044	-	80,000	80,000	500
2005 Capital Improvement Bonds	2.5 to 4.65%	3/1/2020	-	280,000	280,000	15,000
Unamortized Discounts			(15,027)	1,613	(13,414)	(1,613)
Subtotal Water Fund			<u>\$1,367,373</u>	<u>\$ 586,813</u>	<u>\$ 1,954,186</u>	<u>\$ 193,187</u>

NOTE 8. LONG TERM DEBT, CONCLUDED

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<i>General Obligation Bonds</i>						
2003 GRSD Sewer Authority Bonds	2.00 to 4.70%	6/30/2029	\$3,197,168	\$ -	\$ 3,197,168	\$ -
<i>Revenue Bonds</i>						
1998 Series A Special Assessment Bond	4.25 to 5.80%	3/1/2018	258,400	(20,400)	238,000	20,400
1998 Series B Special Assessment Bond	4.25 to 5.00%	3/1/2019	124,200	(10,800)	113,400	10,800
Unamortized Discounts			(89,406)	3,725	(85,681)	(3,725)
Subtotal Sewer Fund			<u>\$3,490,362</u>	<u>\$ (27,475)</u>	<u>\$ 3,462,887</u>	<u>\$ 27,475</u>
Total Business-Type Activities			<u>\$4,857,735</u>	<u>\$ 559,338</u>	<u>\$ 5,417,073</u>	<u>\$ 220,662</u>

Interest expense was charged to programs for the business-type activities as follow:

Water	\$ 67,149
Sewer	142,480
	<u>\$ 209,629</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	2,500	168	221,000	167,932
2007	2,500	84	316,896	164,810
2008	-	-	318,872	162,684
2009	-	-	322,824	159,158
2010	-	-	239,800	153,259
2011-2015	-	-	1,200,280	695,135
2016-2020	-	-	905,984	608,035
2021-2025	-	-	862,160	319,059
2026-2030	-	-	854,352	141,255
2031-2035	-	-	69,000	50,842
2036-2040	-	-	93,000	32,686
2041-2045	-	-	112,000	10,155
Unamortized Discount	-	-	(99,095)	-
Total	<u>\$ 5,000</u>	<u>\$ 252</u>	<u>\$ 5,417,073</u>	<u>\$2,665,010</u>

NOTE 9. EQUITY INVESTMENT (PROPRIETARY FUND)

The Township participates with Chikaming and Lake Charter Townships, and the Cities of New Buffalo and Bridgman (admitted under 2000 agreement) in a joint venture investment known as the GRSD Sewer Authority (the "Authority"). The Authority provides sewage treatment and collection facilities for the residents of those municipalities.

The Authority is governed by a joint board of six members consisting of one member from each of the participating municipalities appointed by their respective governing bodies, and the sixth member appointed by the other five.

On dissolution of the Authority, net assets will be shared on a pro-rata basis as follows:

New Buffalo Township	16.60%
Chikaming Township	28.60%
Lake Charter Township	16.60%
City of New Buffalo	21.60%
City of Bridgman	16.60%
	<u>100.00%</u>

The Township has accounted for this investment using the equity method. Financial statements are available from the Authority, with the following audited summary financial information on the GRSD Authority as of and for the year ended December 31, 2004, with a report thereto dated April 29, 2005:

Assets	\$ 15,849,998
Liabilities	709,825
Net Assets	15,140,173
Operating Revenues	1,288,434
Operating Expenses	1,275,128
Nonoperating Revenues	164,598
Net Earnings	177,904

The Township's net investment and share of the operating results of the Authority are reported in the Sewer Fund. The Township's equity investment was \$3,804,879 as of December 31, 2004.

NOTE 10. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Certain claims, suits, and complaints arising in the ordinary course of business have been filed, appealed, or are pending against the Township.

In the opinion of management and legal counsel, all such matters are covered by insurance or if not so covered, are without merit and, in any event, their ultimate resolution will not have a material effect on the Township's financial position or operations.

NOTE 12. LEASES

Operating Leases—The Township leases equipment under noncancellable operating leases. Total costs for such leases were \$1,068 the current year. The future minimum lease payments for these leases are as follows:

6/30/2006	\$	<u>801</u>
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REQUIRED SUPPLEMENTAL INFORMATION

NEW BUFFALO TOWNSHIP
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
June 30, 2005**

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
Beginning of Year Fund Balance	\$ 350,823	\$ 350,823	\$ 350,823	
Resources(Inflows)				
Taxes	\$ 200,027	\$ 174,500	\$ 179,147	\$ 4,647
Service and tax administrator fees	124,053	116,000	129,020	13,020
Licenses and Permits	73	132	2,142	2,010
State Grants	138,987	138,000	136,460	(1,540)
Charges for Services	21,234	10,400	22,954	12,554
Fines and Forfeits	523	100	3,722	3,622
Interest and Rentals	75,183	73,900	97,630	23,730
Other Revenues	12,793	23,500	10,500	(13,000)
Operating Transfer In	-	50,000	50,000	-
Amounts Available for Appropriation	<u>\$ 572,873</u>	<u>\$ 586,532</u>	<u>\$ 631,575</u>	
Charges to Appropriations(Outflows)				
General Government				
Legislative	\$ 94,989	\$ 107,050	\$ 115,497	\$ (8,447)
Supervisor	12,323	16,500	13,488	3,012
Elections	4,875	5,700	4,875	825
Assessing Equalization	50,293	53,460	53,345	115
Clerk	39,444	42,750	41,889	861
Board of Review	1,307	1,400	1,307	93
Treasurer	48,704	52,400	51,759	641
Building and grounds	28,799	34,200	23,321	10,879
Cemetery	23,981	24,000	22,652	1,348
Planning Commission	4,070	6,150	6,372	(222)
Zoning Board	52,327	60,900	58,697	2,203
All other general government	-	100	-	100
Public Safety				
Fire	91,164	111,900	98,205	13,695
Public Works				
Public works, streets, highways, and lights	43,248	45,700	58,998	(13,298)
Recreation and Culture				
Parks and recreation	4,128	21,500	3,901	17,599
Debt Service	-	-	247	(247)
Total Charges to Appropriations	<u>\$ 499,652</u>	<u>\$ 583,710</u>	<u>\$ 554,553</u>	
Budgetary Fund Balance-June 30, 2005	<u>\$ 424,044</u>	<u>\$ 353,645</u>	<u>\$ 427,845</u>	

NEW BUFFALO TOWNSHIP
**BUDGETARY COMPARISON SCHEDULES-AMBULANCE AND BUILDING FUNDS
June 30, 2005**
Ambulance Fund

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
Beginning of Year Fund Balance	\$ 70,901	\$ 70,901	\$ 70,901	
Resources(Inflows)				
Taxes	\$ 121,640	\$ 122,130	\$ 129,989	\$ 7,859
Interest & Rentals	528	350	804	454
Amounts Available for Appropriation	<u>\$ 122,168</u>	<u>\$ 122,480</u>	<u>\$ 130,793</u>	
Charges to Appropriations(Outflows)				
Public Safety	\$ 106,777	\$ 109,200	\$ 106,675	2,525
Total Charges to Appropriations	<u>\$ 106,777</u>	<u>\$ 109,200</u>	<u>\$ 106,675</u>	
Budgetary Fund Balance-June 30, 2005	<u><u>\$ 86,292</u></u>	<u><u>\$ 84,181</u></u>	<u><u>\$ 95,019</u></u>	

Building Fund

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
Beginning of Year Fund Balance	\$ 44,532	\$ 44,532	\$ 44,532	
Resources(Inflows)				
Charges for Services	\$ 253,274	\$ 255,300	\$ 270,044	\$ 14,744
Fines and Forfeits	-	-	150	150
Interest and Rentals	1,432	1,000	2,102	1,102
Other Revenues	10	-	10	10
Amounts Available for Appropriation	<u>\$ 254,716</u>	<u>\$ 256,300</u>	<u>\$ 272,306</u>	
Charges to Appropriations(Outflows)				
General Government	\$ 121,263	\$ 144,506	\$ 130,506	\$ 14,000
Total Charges to Appropriations	<u>\$ 121,263</u>	<u>\$ 144,506</u>	<u>\$ 130,506</u>	
Transfers In/(Out)				
Transfers	<u>\$ 15,000</u>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	
Budgetary Fund Balance-June 30, 2005	<u><u>\$ 192,985</u></u>	<u><u>\$ 106,326</u></u>	<u><u>\$ 136,332</u></u>	

OTHER SUPPLEMENTAL INFORMATION

BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUND
June 30, 2005

	Liquor <u>Fund</u>
Assets	
Cash and Cash Equivalents	\$ 8,188
Taxes Receivable	-
Accounts Receivable	-
Due from other governmental funds	-
Due from Fiduciary Funds	-
Total Assets	<u>\$ 8,188</u>
 Liabilities and Fund Equity	
Liabilities	
Accounts Payable	\$ -
Due to other governmental funds	100
Total Liabilities	<u>\$ 100</u>
 Fund Balance	
Reserved	\$ -
Unreserved:	
Designated	-
Undesignated	8,088
Total Fund Equity	<u>\$ 8,088</u>
 Total Liabilities and Fund Equity	<u>\$ 8,188</u>

NEW BUFFALO TOWNSHIP**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUND
June 30, 2005**

	<u>Liquor Fund</u>
Revenues	
Taxes and Penalties	\$ -
Charges for Services	-
Interest and Rentals	-
Other Revenues	4,884
Total Revenues	<u>\$ 4,884</u>
Expenditures	
Current	
General Government	\$ 4,521
Public Safety	-
Capital Outlay	-
Total Expenditures	<u>\$ 4,521</u>
Excess of Revenues Over Expenditures	<u>\$ 363</u>
Other Financing Sources(Uses)	
Operating Transfers In	\$ -
Operating Transfers Out	-
Total Other Financing Sources(Uses)	<u>\$ -</u>
Excess of Revenue and Other Sources Over(Under) Expenditures and Other Uses	\$ 363
Fund Balance-July 1, 2004	7,725
Fund Balance-June 30, 2005	<u><u>\$ 8,088</u></u>

SINGLE AUDIT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2005

Federal Grantor/Pass Through Grantor/Program Title	Federal C.F.D.A. #	Source Code and Project Number	Approved Grant/Loan Award Amount	Current Year Expenditures	Note
<i>U.S. Department of Agriculture</i>					
Pass-Through Program from:					
Rural Utilities Service					
Water and Waste Disposal					
Systems for Rural Communities - Loan	10.760	n/a	\$ 484,000	\$ 484,000	1
Water and Waste Disposal					
System for Rural Communities - Grant	10.760	n/a	\$ 340,000	\$ 250,970	
Total Federal Assistance				\$ 734,970	

Notes:

1. New Buffalo Township received a federal loan in fiscal year ending June 30, 2005, in the amount of \$484,000. As of June 30, 2005, the Township had drawndown all \$484,000. The outstanding balance at June 30, 2005, is \$484,000.

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the New Buffalo Township.
2. One reportable condition disclosed during the audit of the financial statements is reported in the "Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*".
3. No instances of noncompliance material to the financial statements of the New Buffalo Township were discovered during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major program and Internal Control over Compliance in Accordance with OMB Circular A-133".
5. The auditor's report on compliance for the major federal award programs for the New Buffalo Township expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the New Buffalo Township.
7. The programs tested as major programs were: U.S. Department of Agriculture – Water and Waste Disposal Systems for Rural Communities – CFDA 10.760
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. New Buffalo Township was determined not to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

CURRENT YEAR

05.1 Segregation of duties:

Condition: The Township lacks an appropriate segregation of duties conducive to an effective internal control structure.

Criteria: Internal controls should be in place to effectively segregate those duties of individuals that have control over safeguarding the assets and recording of the assets.

Effect: The lack of segregation of duties, the assets of the district are susceptible to theft or loss.

Recommendation: We understand due to financial constraints, but continued monitoring by management and the board should help reduce the possible risk of loss.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (CONCLUDED)

Response: We concur with the recommendation and will continue to monitor all employees who have both the safeguarding and recording of the Township's assets within our financial boundaries.

PRIOR YEAR

Same as above.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

CURRENT AND PRIOR YEAR

None



December 17, 2005

To the Township Board of
New Buffalo Township
New Buffalo, MI

In planning and performing our audit of the financial statement of New Buffalo Township ("Township") for the year ended June 30, 2005, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control structure and its operation that we consider opportunities for strengthening internal controls and operating efficiency.

**REVIEW GOVERNMENT ACCOUNTING STANDARD BOARD ("GASB") STATEMENT #40-
DEPOSIT AND INVESTMENT RISK DISCLOSURES.**

Effective June 30, 2005, governmental entities are required to expand their current disclosure requirements addressing common risks of deposits and investments. The disclosure requirements apply to debt and an equity investment held directly by the entity or indirectly by the investment advisors and requires that a governmental entity disclose investment policies that are related to custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. If the entity has adopted no policy with respect to a particular risk, that fact should also be part of the disclosure.

The Township should review its investment policies to determine all common risk areas are identified and the appropriate level of risk for each area is quantified.

ADOPTION OF CAPITALIZATION POLICY

With the Township's adoption of G.A.S.B. 34 requirements, it is necessary for Township assets in all funds to be properly tracked, recorded, and depreciated in accordance with prescribed accounting policies

We recommend that the Township adopt a capitalization policy, through a resolution, for assets that have a life expectancy greater than one (1) year and a value over a certain dollar limit (e.g. \$5,000) to be capitalized for proper financial recording. The policy should also adopt how long each asset will be depreciated and any salvage value it may have.

The report is intended solely for the information and use of New Buffalo Township management, and others within the Township, and is not intended to be and should not be used by anyone other than these parties.

We appreciate the courtesy and cooperation extended to us by you and members of the Township during the audit. We appreciate the opportunity to present these recommendations for your consideration and would be pleased to discuss them further at your convenience.

A handwritten signature in black ink, reading "McMurray, Marks & Edmunds". The signature is written in a cursive style.

McMurray, Marks & Edmunds
St. Joseph, MI

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA